

NEWS RELEASE

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DeNUCCI SAYS TREASURY IMPROVEMENTS STILL NEEDED

State Auditor Joe DeNucci today issued a report on State Treasury operations showing that while some prior management problems have been corrected, other areas are still in need of improvement.

DeNucci, who detailed the previous problems in a transition audit two years ago, said the Treasury still needs stronger controls over abandoned property. In addition, DeNucci's audit contained new findings showing the need for improvements in such areas as cash management and controls over eminent domain and trust accounts.

Among the major findings in the audit are:

- The Treasury has lagged for up to 10 years in its liquidation of in excess of \$210 million in stocks, bonds, dividends and mutual funds that are being held by custodians as abandoned property, without identifying the rightful owners. The last sale of stock was in 1990 and the last mutual fund sale was in 1997.
- The Treasury has not maintained a single up-to-date list of all of its bank accounts, leaving the Treasury without accurate information on what bank accounts are active. As a result of inquiries by DeNucci's staff, the Treasury reviewed the accuracy of its listings and reduced the number of active bank accounts from 1,906 to 849.
- The Treasury has requested holders not to forward additional physical abandoned property as required by state law because of limited storage capacity.
- The Treasury has accepted total dollar amounts of abandoned property from property holders without the owners' names, last known addresses and other pertinent information, relying on the holders' verification in issuing payments of claims from deposits. This process led to an alleged fraudulent payment of more than \$7 million in claims in 1999.

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- The Treasury should be performing more frequent reconciliation of the “Float Fund,” the cash fund that is used by the Commonwealth to pay its obligations. The Treasury’s annual reconciliation has resulted in large variances in the Float Fund.

In other issues, DeNucci’s audit reported that to avoid a recurrence of problems that occurred when the Treasury underpaid \$35 million in payroll tax obligations to the federal government, the Treasury needs to establish control procedures that track state employee payroll deductions, such as federal income tax obligations, as well as employer-matching Medicare payments by state agencies.

In addition, the audit said the Treasury needs better controls over custodial accounts that it holds for pending eminent domain claims of more than \$26 million and for more than \$1.9 billion deposited by individuals and businesses as a bond in order to protect the citizens of the Commonwealth.

DeNucci’s audit acknowledged several management improvements made by the Treasury, and noted that the Treasury has hired new staff to direct and monitor the recovery of abandoned property.